

MIKE KREIDLER
STATE INSURANCE COMMISSIONER



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. G05-77
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
COMMUNITY HEALTH PLAN)	AND ORDER ADOPTING REPORT
OF WASHINGTON)	OF
)	FINANCIAL EXAMINATION
A Domestic Insurer.		

BACKGROUND

An examination of the financial condition of **COMMUNITY HEALTH PLAN OF WASHINGTON** (the Company) as of December 31, 2003, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a health care service contractor. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and comments and recommendations was transmitted to the Company for its comments on September 21, 2005. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 13 of the report.

COMMUNITY HEALTH PLAN OF WASHINGTON
Order Adopting Examination Report
November 28, 2005



CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **COMMUNITY HEALTH PLAN OF WASHINGTON** and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented the Instructions prior to the date of this order. The Instructions in the report are an appropriate response to the matters found in the examination.

ORDER

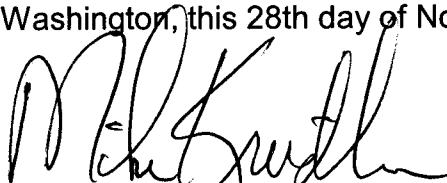
The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions contained in the examination report on pages 1-2.

1. The Company is ordered to comply with RCW 48.43.097 and file a true statement of its financial condition, transactions, and affairs which requires the filing of its NAIC Annual Statement in accordance with the NAIC AP&P Manual, and the NAIC Annual Statement Instructions. Instruction 1, Examination Report, page 1.
2. Pursuant to WAC 284-07-050(2), the Company is ordered to comply with SSAP No. 19, paragraphs 14 and 15 in disclosing the amount of depreciation expense for the period and method(s) of depreciation for furniture and equipment in future audited statutory financial statements. Instruction 2, Examination Report, page 2.
3. Pursuant to WAC 284-07-050(2), the Company is ordered to comply with SSAP No. 85 in reporting administrative services fees related to claims as Claim Adjustment Expenses for future filings. Instruction 3, Examination Report, page 2.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Tumwater, Washington, this 28th day of November, 2005.


MIKE KREIDLER
Insurance Commissioner



Community Health Plan of Washington
Community Health Network of Washington

October 7, 2005

James T. Odiorne, CPA, JD
Office of Insurance Commissioner
Company Supervision Division
P.O. Box 40255
Olympia, WA 98504-0255

RECEIVED
OCT 17 2005
INSURANCE COMMISSIONER
COMPANY SUPERVISION

Dear Mr. Odiorne:

This letter is in response to your request for comments on the facts presented in the draft *Report of Examination of Community Health Plan of Washington as of December 31, 2003*. We have reviewed the draft report and have the following comments:

1. Page 3 Growth of Company – Schedule 1

The 1999 Capital and Surplus reported in Schedule 1 does not agree to the filed Annual Statement. Enclosed is a revised Schedule 1 with the correct amount for 1999.

2. Page 5 Conflict of Interest

The last sentence should state that “Any potential conflicts of interest are investigated by the Assistant Vice President of Compliance and Risk Management and then brought up to the Board of Directors”.

3. Page 8 Subsequent Events

The last two sentences in the second paragraph should be replaced with the following statement:

“CHPW paid the distribution of \$12,900,000 in February 2005.”

4. Page 12 Five Year Reconciliation of Surplus

The amounts reported as “Change in Surplus Notes” in 1999, 2000 and 2001 do not agree to the filed Annual Statements. Enclosed is a revised “Five Year Reconciliation of Surplus”. The enclosed schedule reflects revised amounts for “Change in Surplus Notes” in 1999, 2000, and 2001 and includes an additional line item for “Capital Contribution” in 1999, 2000, and 2001.

If you have any additional questions, please feel free to contact me at (206) 613-8862.

Sincerely,

Sheri Rosenow
Assistant Vice President of Finance

Cc: Patrick H. McNaughton, Chief Examiner
720 Olive Way, Suite 300 Seattle, Washington 98101

phone [206] 521.8833 fax [206] 521.8834

www.chpw.co

Growth of Company

The following schedules reflect the growth of the Company by year beginning in 1999.
The amounts shown were compiled from the Company's filed NAIC Annual Statement.

Schedule 1

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>
2003	\$ 124,434,831	\$ 44,221,502	\$ 80,213,329
2002	131,370,922	66,269,297	65,101,625
2001	95,009,355	32,205,658	62,803,697
2000	70,105,178	31,871,716	38,233,462
1999	41,525,035	14,901,949	26,623,086

Changes to draft indicated in bold.

Change in surplus notes
Capital contribution

(8,102,000)		12,000,000	7,438,054	4,133,952
15,111,704	2,297,928	24,570,235	11,610,376	10,503,140

Surplus as regards policyholders, December 31, current year

\$ 80,213,329	\$ 65,101,625	\$ 62,803,697	\$ 38,233,462	\$ 26,623,086
---------------	---------------	---------------	---------------	---------------

Changes to draft indicated in bold.